

Louisiana Association of Community Action Partnerships, Inc.

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITORS' REPORT**

and

**INDEPENDENT AUDITORS' REPORTS ON INTERNAL ACCOUNTING CONTROL
AND COMPLIANCE AND OTHER MATTERS**

For the Year Ended October 31, 2012

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date MAY 08 2013

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FINANCIAL INFORMATION SECTION



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Louisiana Association of Community
Action Partnerships, Inc.
Baton Rouge, Louisiana

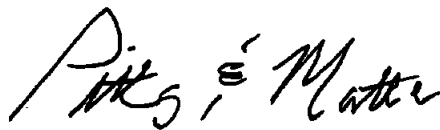
We have audited the accompanying statement of financial position of the Louisiana Association of Community Action Partnerships, Inc. (LACAP) (a nonprofit organization) as of October 31, 2012, and the related statements of activity and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of LACAP's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LACAP, as of October 31, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 25, 2013, on our consideration of LACAP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink, appearing to read "P. S. & M. Matter". The signature is written in a cursive, flowing style.

CERTIFIED PUBLIC ACCOUNTANTS

April 25, 2013

LOUISIANA ASSOCIATION OF COMMUNITY ACTION PARTNERSHIPS, INC.

**STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2012**

ASSETS

Current assets

Cash	\$ 361,004
Grants receivable	1,076,012
Due from provider agencies	36,856
Other receivable	43,794
Prepaid expense and other assets	<u>5,621</u>
Total current assets	<u>1,523,287</u>

Fixed assets - less accumulated depreciation	<u>1,492,228</u>
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Total assets	<u>\$ 3,015,515</u>
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LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable and accrued expenses	\$ 621,959
Due to provider agencies	999,466
Notes payable - current portion	<u>267,366</u>
Total current liabilities	<u>1,888,791</u>

Long term liabilities

Notes payable - less current portion	<u>784,489</u>
Total Liabilities	<u>2,673,280</u>

Net assets

Unrestricted	(114,996)
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Temporarily restricted for:

Fixed assets with explicit restrictions on use	\$ 591,913
Utility assistance programs	487,848
General & Administrative	194,198
Education	(779,961)
Weatherization	(109,476)
Disaster relief	<u>72,709</u>
Total temporary restricted net assets	<u>457,231</u>

Total net assets	<u>342,235</u>
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Total liabilities and net assets	<u>\$ 3,015,515</u>
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LOUISIANA ASSOCIATION OF COMMUNITY ACTION PARTNERSHIPS, INC.

**STATEMENT OF ACTIVITY AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED OCTOBER 31, 2012**

Changes in unrestricted net assets:

Revenues:

Membership fees	\$ 33,932
Seminar fees	63,941
Other	<u>76,875</u>
Total revenues	<u>174,748</u>

Net assets released from restrictions:

Satisfaction of program restrictions	<u>51,718,442</u>
Total unrestricted revenue and support	<u>51,893,190</u>

Expenses:

Program Services:

LIHEAP (Low Income Home Energy Assistance):

Energy assistance	36,778,447
Education	517,806
Weatherization	2,986,717

Weatherization:

Weatherization Assistance	1,109,814
Training & technical assistance	121,749

ARRA (American Recovery Reinvestment Act of 2009)

Weatherization Assistance	6,175,043
Training & technical assistance	2,400,668
How to field guide	377,604

Seminars

	35,085
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Energy Assistance:

Atmos energy assistance	173,069
Disaster relief	10,000
RPIC	259,448

General and Administrative:

LIHEAP	367,297
ARRA	372,768
Weatherization - Dept of Health & Human Services	40,337
Weatherization - Dept of Energy	37,675
Other	<u>217,963</u>
Total expenses	<u>51,981,490</u>

Decrease in unrestricted net assets	<u>(88,300)</u>
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Changes in temporarily restricted net assets:

Support:

Federal	49,022,126
Contributions	255,657
Other	<u>119</u>
Total support with restrictions	<u>49,277,902</u>

Net assets released from restriction:

Satisfaction of program restrictions	
Federal	(51,545,373)
Contributions	<u>(173,069)</u>
Total Net assets released from restriction	<u>(51,718,442)</u>

Decrease in temporarily restricted net assets	(2,440,540)
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Decrease in net assets	(2,528,840)
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Net assets beginning of year	<u>2,871,075</u>
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Net assets end of year	<u>\$ 342,235</u>
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LOUISIANA ASSOCIATION OF COMMUNITY ACTION PARTNERSHIPS, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED OCTOBER 31, 2012**

	LIHEAP			Weatherization		ARRA		
	Energy Assistance	Education	Weatherization	Weatherization Assistance	Training & Technical Assistance	Weatherization Assistance	Training & Technical Assistance	ARRA HTFG
Expenses:								
Payroll and benefits	\$ 7,726	\$ 101,587		\$ 4,816	\$ 4,480		\$ 345,717	\$ 54,869
Contract services	86	1,013			10,261		1,415,273	271,996
Depreciation		42,088			58,820		67,099	
Equipment rental		32			2,439		35,029	
Automobile		78			3,651		7,021	
Insurance								
Seminar fees		1,788			84		11,491	
Meeting					83		832	
Training					1,785		86,996	
Advertising		1,551			8		6,529	
Monitoring		148			1,740		2,625	
Miscellaneous	45	5,850			113		15,225	137
Office expense					685		6,096	
Shared cost		107,281			26,930		391,583	60,613
Professional fees								
Assistance to individuals								
Assistance to provider agencies	36,778,610	256,392	\$ 2,986,717	1,109,814		\$ 6,175,043		
Rent					846			
Repairs & Maintenance					6,379		26,869	
Interest					346		4,586	
Utilities & Telephone					1,361		17,688	
Total expenses	\$ 36,778,447	\$ 517,806	\$ 2,986,717	\$ 1,109,814	\$ 121,749	\$ 6,175,043	\$ 2,400,668	\$ 377,604

TOTAL EXPENSE BY FEDERAL PROGRAM

Low Income Home Energy Assistance	\$ 36,778,447	\$ 517,806	\$ 2,986,717					
Community Service Block Grant								
ARRA Weatherization Assistance						\$ 6,175,043	\$ 2,400,668	
ARRA HTFG								\$ 377,604
Weatherization Assistance				\$ 1,109,814	\$ 121,749			
Total	\$ 36,778,447	\$ 517,806	\$ 2,986,717	\$ 1,109,814	\$ 121,749	\$ 6,175,043	\$ 2,400,668	\$ 377,604

Weatherization									
Conference	Atmos Energy Assistance	Disaster Relief	RPIC	LIHEAP	ARRA	DHHS	DOE	General	Total
\$ (495)	\$ 548		\$ -40,852	\$ 141,661	\$ 191,199	\$ (4,940)	\$ 9,980	\$ 21,337	\$ 888,927
3,032			32,269	10,705			14,144	2,130	1,760,888
3,573				2,697		44,774		26,372	237,223
1,308				339	17,968			509	57,624
			418	2,331		503	159	454	14,815
								62,547	62,547
20,238			10,497	3,494				4,482	58,023
			983	540				8,819	11,937
3,056			11,110	3,316	514			13,738	120,495
1,000								54	9,140
				6,856			5	883	12,257
181	\$ 244			3,923	175			12,091	37,964
3,211			1,054	104	788			115	12,047
				188,970	161,164		12,669	21,970	963,180
								12,739	12,739
	172,265							5,089	177,354
		10,000	154,778						47,458,738
				697				8,387	846
	12							8,791	40,332
			1,687	1,664	965		718	6,786	13,745
									30,889
\$ 35,085	\$ 173,069	\$ 10,000	\$ 259,448	\$ 367,297	\$ 372,768	\$ 40,337	\$ 37,675	\$ 217,963	\$ 51,681,490
				\$ 367,297	\$ 40,337				\$ 40,890,604
			\$ 259,448						259,448
				\$ 372,768					8,948,479
									377,604
							\$ 37,675		1,269,238
			\$ 259,448	\$ 367,297	\$ 372,768	\$ 40,337	\$ 37,675		\$ 51,545,373

LOUISIANA ASSOCIATION OF COMMUNITY ACTION PARTNERSHIPS, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED October 31, 2012**

Cash flows from operating activities:	
Received from federal grantors	\$ 52,374,320
Received from contributions	255,657
Received from membership fees	33,932
Received from seminar fees	63,941
Received from other sources	73,058
Paid to employees	(930,153)
Paid to assist provider agencies	(49,044,323)
Paid to vendors	<u>(3,243,638)</u>
Net cash provided (used) by operating activities	<u>(417,206)</u>
Cash flows from financing activities:	
Proceeds from long term debt	30,472
Repayments of long term debt	<u>(42,065)</u>
Net cash provided (used) by financing activities	<u>(11,593)</u>
Net increase (decrease) in cash and cash equivalents	(428,799)
Cash and cash equivalents at beginning of year	<u>789,803</u>
Cash and cash equivalents at end of year	<u>\$ 361,004</u>
Reconciliation of change in net assets to net cash provided by operating activities:	
Change in net assets:	\$ (2,528,840)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	\$ 242,673
Decrease in prepaid expenses	57,004
Decrease in grants receivable	3,352,194
Increase in due from provider agency	664,462
Decrease in other receivables	(3,936)
Increase in accounts payable and accrued expenses	51,033
Decrease in amount due to provider agencies	<u>(2,251,796)</u>
	<u>2,111,634</u>
Net cash provided (used) by operating activities	<u>\$ (417,206)</u>

Louisiana Association of Community Action Partnerships, Inc.

NOTES TO THE FINANCIAL STATEMENTS

October 31, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A summary of the Louisiana Association of Community Action Partnerships, Inc., (LACAP) significant accounting policies applied in the preparation of the accompanying financial statements follows:

LACAP is a non-profit, service organization that was established for the primary purpose of promotion of economic and social opportunities on behalf of the Louisiana's indigent population, as well as the promotion of quality education and training for all human services providers. The mechanism for the delivery of these services is through the membership of the forty-two community action agencies (Member CAAs) that cover all sixty-four parishes in the state.

The function of LACAP is to (1) provide an organization through which all community action agencies in Louisiana can work together to further the goals and objectives of said agencies; (2) bring about more effective cooperation between community action agencies and other community and faith-based organizations that have similar objectives; (3) participate in and strengthen community action agencies' professional organizations; and, (4) provide training and technical assistance to agencies.

In years prior to 2007, LACAP was a relative small organization that primarily served the needs of its Member CAAs for information, training, coordination and advocacy. Beginning in 2007 LACAP's primary focus became processing, administering, and monitoring significant Federal and state grant funds in behalf of Louisiana Housing Corporation (LHC) for the benefit of the Member CAAs.

The following is a summary of LACAP's significant programs and their primary funding sources and functions during the year ended October 31, 2012:

<u>Program</u>	<u>Funding Source</u>	<u>Functions</u>
Regular	Membership and Seminar Fees	General operations and seminars
Low - Income Home Energy Assistance Program (LIHEAP)	U.S. Dept. of Health and Human Services through the Louisiana Housing Corporation (LHC)	To assist low-income persons meet the costs of home energy. Included in the program are funds for education, administration and limited amounts for weatherization.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

<u>Program</u>	<u>Funding Source</u>	<u>Functions</u>
Weatherization	U.S. Dept. of Energy through LHC	To assist low income persons reduce their total expenditures and improve their health and safety and improve energy efficiency of the dwelling unit.
Atmos Energy Assistance	Primarily corporate donations	To administer and fund a program to assist individuals having difficulty paying their utility bills in certain geographic areas.
Disaster Relief	Individual and corporate donations	To assist victims of natural and other disasters.
American Recovery Reinvestment Act (ARRA)-Weatherization	U.S. Dept. of Energy through the Louisiana Housing Finance Agency	To assist low income persons reduce their total expenditures and improve their health and safety and improve energy efficiency of the dwelling.
American Recovery Reinvestment Act (ARRA) How to Field Guide	U.S. Dept. of Energy	To provide weatherization workers the critical procedures required to administer retrofits directly in the field.
Regional Performance and Innovation Consortia (RPIC)	U.S. Dept. of Health and Human Services	To ensure all CSBG eligible entities are able to meet high-quality performance standards.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

The accrual basis of accounting is generally used by LACAP.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Support and Revenues

A significant portion of the Organization's support and revenue is in the form of grants and contributions from governmental agencies and other groups. Contributions are generally reported as temporarily restricted, if they are received with donor stipulations. Grants are also accounted for as temporarily restricted if the value received by the grant provider is only incidental to the public benefit provided by use of the grant funds. When the stipulations of the grantor or donor are met, then these assets are reclassified as unrestricted and reported in the statement of activity and changes in net assets as net assets released from restrictions.

Grant funds received from grant providers, who receive significant value in exchange for grant funds, are accounted for as exchange transactions and revenue is recognized as services are performed.

LACAP also receives membership and seminar fees from member agencies and participants which are recognized as revenue when received.

Expenses

Assets or expenses and their related liabilities are recorded when the related goods or services are received by LACAP. Costs incurred in connection with general and administrative costs are charged to expenses as incurred.

Due to or from Provider Agencies

LACAP generally utilizes local community action agencies to assist it in providing services. In some cases LACAP advances funds to the agencies on a short term basis for these projects in advance of the completion of the project. LACAP records these amounts in assets as Due from Provider Agencies until the projects are complete. In other instances LACAP reimburses the agencies for costs of projects already performed, in these cases LACAP records a liability to the agency as Due to Provider Agencies.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets

Purchased land, buildings, furniture, fixtures, and other equipment are valued at their actual cost. Fixed assets are depreciated over their estimated useful lives on the straight-line basis. Fixed assets purchased with federal dollars may need to be returned to the grantor, sold or retained by the organization in accordance with the respective grant agreements upon program completion.

Compensated Absences

Compensation is paid to employees absent from work due to illness or vacation. An accrual is not made because the amount is not significant.

Net Assets

In accordance with the Accounting Standard Codification, the Organization must report net assets in each of the following three classes:

- a. permanently restricted - net assets in this category are restricted by grantor or donor imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization.
- b. temporarily restricted - net assets in this category are restricted by grantor or donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the organization.
- c. unrestricted - net assets in this category are not restricted by grantor or donor imposed restrictions.

LACAP has unrestricted and temporarily restricted net assets.

The temporary restrictions result from grants or donations that have been received but not yet expended which are restricted to use in particular programs.

Cash and cash equivalents

For purposes of the Statement of Cash Flows, LACAP considers all cash in non-interest bearing checking accounts and cash on hand to be cash and cash equivalent accounts.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

The Organization operates as a not-for-profit organization. It is accorded tax exempt status under Section 501 (c) (4) of the Internal Revenue Code.

Shared Cost

In performing its services, LACAP incurs joint cost which benefit a number of projects. LACAP maintains records, using methods approved by grantors to allocate these costs. Primary cost allocated are certain administrative salaries, and occupancy cost such as depreciation, rent, telephone and utilities.

NOTE 2 - FIXED ASSETS

The following is a summary of fixed assets by major category with their related estimated useful lives:

<u>Category</u>	<u>Cost</u>	<u>Estimated Useful Life</u>
Building	\$ 993,022	35 years
Improvements to building	179,287	35 years
Vehicles	262,253	5 years
Equipment	<u>858,159</u>	5-20 years
Total	2,292,721	
Less: accumulated depreciation	<u>800,493</u>	
	<u>\$1,492,228</u>	

Depreciation for the year ended October 31, 2012 totaled approximately \$243,000.

Certain grant requirements restrict the use of certain fixed assets. Substantially all fixed assets acquired with grant funds could revert to the grantor if those fixed assets would cease to be used in that program.

NOTE 3 - SUBSEQUENT EVENTS, CONTINGENCIES, CONCENTRATIONS AND UNCERTAINTIES

SUBSEQUENT EVENTS

LACAP's management has evaluated whether any events and transactions occurred subsequent to October 31, 2012 through April 25, 2013, the date of issuance of LACAP's financial statements and determined that there was one material event or transaction that would require recognition or disclosure in LACAP's financial statements, which is described in the CONCENTRATIONS AND UNCERTAINTIES portion of this note.

NOTE 3 – SUBSEQUENT EVENTS, CONTINGENCIES, AND CONCENTRATIONS
(continued)

CONTINGENCIES

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed expenditures may constitute a liability of LACAP. Incentive pay of \$212,000 in the prior year and \$124,500 in the current year may be disallowed by the grantor, however, a final decision has not been made.

CONCENTRATIONS AND UNCERTAINTIES

Presently and over the past six years LACAP has operated several Federally funded programs in behalf of LHC for the benefit of the Member CAAs. During the year ended October 31, 2012, those programs totaled approximately \$48.4 million in revenue as follows:

<u>Program</u>	<u>Approximate 2012 Revenue</u>
Low-Income Home Energy Assistance (LIHEAP)	\$40.4
ARRA Weatherization Assistance for Low-Income Persons (ARRA WAP)	6.9
Weatherization Assistance for Low-Income Persons (WAP)	<u>1.1</u> <u>\$48.4</u>

Due to the conclusion of Federal Stimulus Funding, ARRA WAP concluded operations during the current year. LACAP continues to operate the current LIHEAP program which is funded through September 30, 2013 and the current WAP program which is funded through June 30, 2013.

In March 2013, LHC notified LACAP that LHC will be seeking proposals for the operations of the future LIHEAP and WAP programs.

LACAP's operations could be severally impacted if it fails to retain a significant portion of LIHEAP and WAP program operations.

NOTE 4 - RISK MANAGEMENT

LACAP is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the LACAP carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements of claims have not exceeded coverage in the past three years.

NOTE 5 - NOTES PAYABLE

The following is a summary of notes payable at October 31, 2012:

LACAP maintains a line of credit bearing interest at a rate of 4.5% with a local bank in the amount of \$250,000. outstanding indebtedness related to the line of credit at year end is:

\$ 223,039

Installment notes payable to bank secured by land and building bearing interest at a rate of 5.25% payable in monthly installments, with final payments due March 2016.

828,816
1,051,855

Less current portion

(267,366)

Long term portion

\$ 784,489

Aggregate future maturities of the debt are approximately:

For year ending October 31, 2013

\$ 267,366

2014

46,680

2015

49,190

2016

688,619

\$1,051,855

NOTE 6 - EMPLOYEE BENEFIT PLAN

The Organization provides a 401(k) savings plan for its eligible employees. Employees are eligible to participate in the plan after one year of service. Participating employees may elect to contribute up to ten percent of their earnings. The Organization may contribute an amount equal to a percentage of the participants' contributions. The Association contributed approximately \$17,000 to the plan for the year ended October 31, 2012.

SUPPLEMENTARY INFORMATION

LOUISIANA ASSOCIATION OF COMMUNITY ACTION PARTNERSHIPS, INC.

Schedule of Expenditures of Federal Awards For the Year Ended October 31, 2012

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR NAME/ <u>PROGRAM TITLE</u>	FEDERAL CFDA <u>NUMBER</u>	REVENUE <u>RECOGNIZED</u>	EXPENSES <u>INCURRED</u>
<u>U.S. Department of Health and Human Services</u>			
Community Services Block Grant Training and Technical Assistance Program-Regional Performance and Innovation Consortia	93.570	\$ 319,553	\$ 259,448
Passed through Louisiana Housing Corporation			
Low-Income Home Energy Assistance	93.568	<u>40,405,600</u>	<u>40,601,045</u>
Total U.S. Department of Health and Human Services		<u>40,725,153</u>	<u>40,860,493</u>
<u>U.S. Department of Energy</u>			
ARRA Weatherization Assistance for Low - income persons (How to Field Guide)	81.042	319,928	377,604
Passed through Louisiana Housing Corporation			
ARRA Weatherization Assistance for Low - income Persons	81.042	6,858,808	8,891,380
Weatherization Assistance for Low - income Persons	81.042	<u>1,118,257</u>	<u>1,210,618</u>
Total U.S. Department of Energy		<u>8,296,993</u>	<u>10,479,602</u>
Total Federal Financial Assistance		<u>\$ 49,022,146</u>	<u>\$ 51,340,095</u>

LOUISIANA ASSOCIATION OF COMMUNITY ACTION PARTNERSHIPS, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended October 31, 2012

NOTE 1 - REPORTING METHOD

Except for Low-Income Home Energy Assistance (LIHEAP) and Weatherization Assistance for Low - income Persons program (WAP), all revenues and expenses on this schedule are reported on the basis of generally accepted accounting principles.

NOTE 2 - SCHEDULE OF PROGRAM EXPENSES

Reconciliation of expenses incurred on the financial statements to expenses incurred on the Schedule of Expenditures of Federal Awards is as follows:

	<u>LIHEAP</u>	<u>WAP</u>	<u>ARRA Weatherization</u>
Total unrestricted expenses per financial statement	\$40,690,604	\$1,269,238	\$8,948,479
Less: Depreciation expense	<u>(89,559)</u>	<u>(58,620)</u>	<u>(57,099)</u>
Total expenses incurred per Schedule of Expenditures of Federal Awards	<u>\$40,601,045</u>	<u>\$1,210,618</u>	<u>\$8,891,380</u>

For grant reporting purposes, certain expenditures for fixed asset additions are considered to be grant expenses, however for financial statement purposes these expenditures are capitalized as fixed assets. Conversely depreciation expense on fixed assets purchased with grant funds is not considered an expense for grant reporting purposes.

NOTE 3 - SCHEDULE OF PROGRAM REVENUE BY PROGRAM YEAR

Both major programs operated by LACAP, have different program year ends than the organization's fiscal year end. The following is a breakdown of revenue, recognized for each grant year within the LACAP fiscal year ended October 31, 2012:

LIHEAP:

Grant year ended 2011	\$ 4,509,361
Grant year ended 2012	<u>35,896,239</u>
Total	<u>\$40,405,600</u>

WAP:

Grant year ended 2011	\$ 633,283
Grant year ended 2012	<u>484,974</u>
Total	<u>\$ 1,118,257</u>

**INTERNAL ACCOUNTING CONTROL AND COMPLIANCE
AND OTHER MATTERS**



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Louisiana Association of Community
Action Partnerships, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of the Louisiana Association of Community Action Partnerships, Inc. (LACAP) (a nonprofit organization) as of and for the year ended October 31, 2012, and have issued our report thereon dated April 25, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of LACAP is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered LACAP's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LACAP's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of LACAP's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified two deficiencies in internal control over financial reporting that we consider to be material weaknesses.

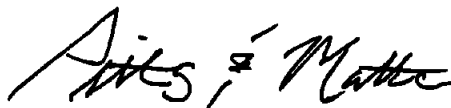
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2012-FS-1 and 2012-FS-2 to be a material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LACAP's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance and one other matter that is required to be reported under Government Auditing Standards which is described in the accompanying schedule of findings and questioned costs as items 2012-FS-3.

LACAP's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit LACAP's response and, accordingly, we express no opinion on it.

This report is intended solely for the use of LACAP's management and Board, federal awarding agencies, pass-through agencies, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is considered a public record and may be distributed by the Legislative Auditor.



CERTIFIED PUBLIC ACCOUNTANTS

April 25, 2013



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

Board of Directors
Louisiana Association of Community
Action Partnerships, Inc.
Baton Rouge, Louisiana

Compliance

We have audited the compliance of the Louisiana Association of Community Action Partnership, Inc. (LACAP) (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of LACAP's major federal programs for the year ended October 31, 2012. LACAP's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of LACAP's management. Our responsibility is to express an opinion on LACAP's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about LACAP's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on LACAP's compliance with those requirements.

In our opinion, LACAP complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended October 31, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-MP-1, 2012-MP-2, and 2012-MP-3.

Internal Control Over Compliance

The management of LACAP is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered LACAP's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LACAP's internal control over compliance.

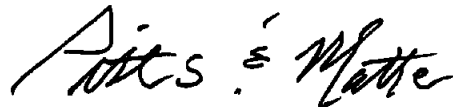
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-MP-1 and 2012-MP-2 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-MP-3 to be a significant deficiency.

LACAP's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit LACAP's responses and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing with the types of compliance requirements applicable to each of LACAP's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on LACAP's compliance but not to provide an opinion on the effectiveness of LACAP's internal control over compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering LACAP's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

April 25, 2013

LOUISIANA ASSOCIATION OF COMMUNITY ACTION PARTNERSHIPS, INC.
SCHEDULE OF FINDINGS, AND QUESTIONED COSTS
For the Year Ended October 31, 2012

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the Louisiana Association of Community Action Partnerships, Inc.
2. Two internal control deficiencies were disclosed during the audit of the financial statements. These conditions are reported as material weaknesses.
3. No instances of noncompliance material to the financial statements of the Louisiana Community Action Partnerships, Inc., were disclosed during the audit, however, one other matter is reported.
4. Three deficiencies in internal control over major federal award programs are reported: two as material weaknesses and one as a significant deficiency.
5. The auditors' report on compliance for the major federal award programs for the Louisiana Association of Community Action Partnerships, Inc., expresses an unqualified opinion on the major federal programs.
6. Three audit findings relative to the major federal award programs for the Louisiana Association of Community Action Partnerships, Inc., are reported in Part C of this Schedule.
7. The programs tested as a major program are:
Low-Income Home Energy Assistance Program (LIHEAP) (CFDA No. 93.568)
Weatherization Assistance for Low - income Persons (CFDA No. 81.042)
ARRA Weatherization Assistance for Low - income Persons (CFDA No. 81.042)
8. The threshold for distinguishing types A and B programs was \$1,500,000.
9. Louisiana Association of Community Action Partnerships, Inc., was not determined to be a low risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

ITEM NO. 2012-FS-1 – APPROVAL OF INVOICES

Auditor's Comments

Condition: LACAP incurred approximately \$52 million in total expenses in the year ended October 31, 2012. LACAP incurs expenses and makes disbursements under three main systems:

<u>Disbursement Categories</u> <u>Disbursements to (for)</u>	<u>Percentage of Total</u> <u>Disbursements</u>
To subrecipients	91.3%
For payroll	2.3%
General disbursements	6.4%

During our audit we performed tests of disbursements in each of these three disbursement categories to determine if amounts are properly authorized, supported, allowable, classified, and recorded and if internal control policies are being followed. Tests related to disbursements to subrecipients disclosed no exceptions. See Item No. 2012-MP-3 for comments related to payroll.

In the course of performing audit procedures in the general disbursements category we selected a sample of forty checks written throughout the year. We found that all forty were properly supported, allowable, classified, and recorded. The test did not reveal any improper nor unallowable expenses. However, ten out of the forty disbursements were not authorized for payment in accordance with LACAP's internal accounting control policies.

Criteria: LACAP's internal control procedures require that all invoices be authorized before payment.

Effect: Payment of invoices that are not properly approved could result in nonallowable or improper expenses.

Cause: LACAP failed to follow its policies currently in place of approving all invoices before payments are made.

Recommendation: LACAP should follow its policies regarding approving of invoices.

Management's Response: Currently invoices \$500 and less are approved by Office Manager and over \$500 are approved by Executive Director/COO before input into the payable system. After they are input in the system a printout of the input and the invoices are reviewed by Finance Director. Finance Director reviews for coding and updates input for payment in the system.

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

ITEM NO. 2012-FS-2 – TIMELINESS OF ACCOUNTING PROCEDURES
(DUE TO/FROM PROGRAMS)

Auditor's Comments

Condition: For external financial reporting purposes, LACAP properly issues financial statements which present all of its activities combined into a single Statement of Financial Position (assets and liabilities) and Statement of Activity and Changes in Net Assets (revenue and expenses). For control purposes, its general ledger contains separate accounts for the assets, liabilities, net assets, revenue and expenses for each program from which a separate individual balanced statement of assets and liabilities and revenue and expenses can be prepared. In the prior year we reported that certain basic operations and internal control procedures performed during and for the year were not done on a timely basis. These procedures relate to the:

1. Cash Area
2. Due from grantors/funding agencies & Due to/from Provider Agencies (CAAs)
3. Due to/from programs

The findings and recommendations in number 1 and 2 were implemented and a some of the recommendations in number 3 were implemented. Those related to number 3 that were not implemented are reported below.

The separate general ledger accounts for each program report amounts due to/from that program and due to/from other programs, while on the combined books of LACAP those due/to froms net to zero. For example program A owes program B \$1,000, these would be reported as follows:

<u>On Program A's Books</u>	<u>On Program B's Books</u>	<u>On LACAP's Books</u>
Liability	Asset	
Due to Program B	Due from Program A	
\$(1,000)	\$1,000	Net \$--

It should be made clear that the due to/from accounting procedure method is used to insure that the revenues and expenses that properly belong to a particular program are reported in that program.

These due to/froms generally occur for the following reasons:

1. Proceeds of grants, donations, etc. received in lump sum payments by one program are for the benefit of more than one program; therefore the receiving program "owes" a portion of the proceeds to another program.
2. A disbursement may be made by a program that benefits another program, therefore the disbursing program is "due" a repayment from another program.

3. To correct an accounting error for an item erroneously placed in revenue or expense in one program that should be in another fund.

These due to from accounts were reconciled and adjusted on an ongoing basis during the year (in the prior year they were not). Further they should be periodically cleared by having the program with the due to (liability) balance reimbursing the program with the due from (asset) balance. They were not periodically cleared during this year nor in the prior year.

Criteria: As noted above, an entity that operates multiple programs maintains in its general ledger a separate chart of accounts for each program that contains all that program's assets, liabilities, revenues and expenses. To properly manage and account for a program, all of the program's assets, liabilities and revenues and expenses must be considered, not just the remaining grant funds to be spent. To properly operate the program must periodically collect amounts due from other programs just as it collects amounts due from grantors, donors, and other third parties. Likewise the program must pay amounts due to other programs the same as it would pay amounts due to vendors, employees, and other third parties.

Effect: If an accurate accounting and timely settlement is not made in due to/from program accounts prior to the closing of a program or grant, there may not be sufficient remaining funds to pay all other liabilities of the program.

Cause: Due to/from program accounts are recorded and reconciled on an ongoing basis, however no settlement or repayment is done on an ongoing basis.

Recommendation: The due to/from accounts between programs should be settled as soon as possible and be periodically settled in the future.

Management's Response: Programs will be reimbursed as payments are received and posted monthly.

Type of Finding: Probable Fraud and Illegal Act

ITEM NO. 2012-FS-3 – MISAPPROPRIATION OF FUNDS (This finding was previously reported in audit findings for the year ended October 31, 2011)

Auditor's Comments

Condition: During the audit for the year ended October 31, 2011, management advised us that a former employee (LACAP's former Chief Financial Officer) misappropriated funds in the amount of \$50,858 by writing checks to herself. Between August 29, 2011 and October 31, 2011 (LACAP's prior year end) seven checks were written totaling \$40,858 and in addition, one check was written on November 2, 2011 for \$10,000. The money taken for the year ended October 31, 2012 was from LACAP's regular program.

The misappropriation using one of the checks was discovered in late November 2011, by another employee, in the normal course of her job activities. The former employee was discharged in December 2011. Management notified the executive board chair and the financial committee chair and consulted with their in-house and outside legal counsel. The information was reported to the District Attorney for the 19th Judicial District, the U.S. Attorney's Office, the Louisiana Housing Corporation, the Louisiana Legislative auditor, LACAP's insurance carrier, and us, as auditors.

A member of LACAP's management reviewed all checks and related documents, for all checks issued to the former employee for November 1, 2010 to the time of the former employee's discharge in order to arrive at the total misappropriated. During the audit for the year ended October 31, 2011, we discussed this situation with various members of management and others and reviewed certain copies of documents for the same time period and concur with the amount determined by management.

During the year ended October 31, 2012, LACAP recovered \$5,291 from the former employee and \$44,567 from its insurance carrier. This results in a net loss to LACAP of \$1,000.

There are no questioned costs associated with this because the federal programs losses were recovered through insurance proceeds.

In conclusion it appears LACAP's internal control system worked appropriately and damages were mitigated as much as possible.

Criteria: Misappropriation of funds for personal gain would be considered a criminal act.

Effect: LACAP suffered a direct net monetary loss of \$1,000 after insurance coverage. In addition, extra time and effort was required by LACAP's staff and management, as well as, work required by your outside attorneys and us, as auditors.

Cause: Apparently, this was caused by a former employee who committed dishonest acts for personal gain.

Recommendation: NONE

Management's Response:

Management promptly responded upon discovery of the misappropriation of funds to involve all appropriate persons and parties. In addition, management has reviewed all internal control accounting procedures to determine that all reasonable and necessary safeguards are in place.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM
AUDIT

ITEM NO. 2012-MP-1 SUBRECIPIENT MONITORING

Type of Finding

Item of Noncompliance with a Type of Compliance Required for a Major Program
and
Material Weakness in Internal Control over Major Program

Program: ARRA Weatherization Assistance for Low-income Persons program (ARRA WAP) (CFDA# 81.042) is a major program funded by the Department of Energy and passed through the Louisiana Housing Corporation (LHC).

Questioned
Costs

Auditors' Comments

Conditions: LACAP's monitoring of subrecipient activities is composed of three main areas:

- A. Monthly review of cost reports and desk reviews,
- B. Quarterly field monitoring for Quality Assurance, and
- C. Annual fiscal evaluation.

The program utilizes 17 subrecipients, we selected a sample of ten subrecipients and tested LACAP's monitoring activities in each of these areas shown above.

The monitoring activities conducted by LACAP in all these areas generally include these steps if applicable:

1. Review and evaluation
2. Notification and advice to subrecipients, and
3. Follow up if needed.

In our testing of LACAP's monitoring activities, we noted no exceptions in any monthly monitoring activities, nor in any quarterly monitoring activities.

The annual fiscal evaluation consists of two elements, LACAP's own review of the subrecipients' fiscal status and obtaining and reviewing the subrecipients' audited financial statements.

<u>Procedure</u>	<u>Number</u>	
	<u>Properly Completed</u>	<u>In Sample</u>
1. Review and evaluation	10	10
2. Notification to subrecipient	10	10
3. Follow-up	7	10

Questioned
Costs

Of the three exceptions noted, one subrecipient supplied requested information to clear LACAP's finding but LACAP did not follow up with a clearance letter. In two cases the subrecipients did not respond to LACAP's notification, and LACAP did not follow-up.

None of the three cases involved questioned or disallowed expenditures, therefore there are no questioned costs related to these findings.

NONE

LACAP obtained audited financial statements on all ten subrecipients and no exceptions were reported related to this program.

Criteria: LACAP's subrecipient monitoring procedures call for a review and evaluation, notification, and follow up.

Effect: Not following up with subrecipients on monitoring findings could result in subrecipients not completing corrective action.

Cause: LACAP's contract with their outside monitoring company expired before the follow up was complete and the Organization did not complete the monitoring.

Recommendation: LACAP should have its personnel complete the follow up process on these three subrecipients. In the future LACAP should completely follow its own monitoring system.

Management Response: LACAP's fiscal monitor will communicate with agencies and request a response or corrective action in writing to address finding and/or deficiencies. LACAP will continue monitoring as in the past.

ITEM NO. 2012-MP-2 APPROVAL OF INVOICES

Type of Finding

Material Weaknesses in Internal Control over a Major Program

Program: ARRA Weatherization Assistance for Low-income Persons program (ARRA WAP) (CFDA# 81.042) is a major program funded by the Department of Energy and passed through the Louisiana Housing Corporation (LHC).

Questioned
Costs

Auditors' Comments

Condition: LACAP incurred approximately \$8.8 million in total expenses in the ARRA-WAP program for the year ended October 31, 2012. LACAP incurs expenses and makes disbursements under three main systems: Tests related to disbursements to subrecipients disclosed no exceptions. See Item 2012-MP-3 for comments related to payroll.

<u>Disbursement Categories</u> <u>Disbursements to (for)</u>	<u>Percentage of Total</u> <u>Disbursements</u>
To subrecipients	69.9%
For payroll	7.9%
General disbursements	22.2%

During our audit we performed tests of disbursements in each of these three disbursements categories to determine if amounts are properly authorized, supported, classified and recorded and if internal control policies are being followed.

In the course of performing audit procedures in the general disbursements category we selected a sample of forty checks written throughout the year. We found that all forty were properly supported, allowable, classified, and recorded. The test did not reveal any improper unallowable, or questioned costs. However, ten out of the forty were not authorized for payment in accordance with LACAP's internal accounting control policies.

Note that no items of noncompliance nor any questioned costs were found in the test.

NONE

Criteria: The Organization's internal control procedures require that all invoices be authorized before payment.

Effect: Payment of invoices that are not properly approved could result in nonallowable or improper expenses.

Cause: LACAP failed to follow its policies currently in place of approving all invoices before payments are made.

Questioned
Costs

Recommendation: LACAP should follow its policies regarding approving of invoices.

Management's Response: Currently invoices \$500 and less are approved by Office Manager and over \$500 are approved by Executive Director/COO before input into the payable system. After they are input in the system a printout of the input and the invoices are reviewed by Finance Director. Finance Director reviews for coding and updates input for payment in the system.

ITEM NO. 2012-MP-3 INCENTIVE PAY (A similar finding was reported in the audit finding for the year ended October 31, 2011 related to the same incident)

Type of Finding

Significant Deficiency in Internal Control Over Major Programs
And
Known Questioned Costs Greater than \$10,000 for a Type of Compliance Required for
A Major Program

Program: ARRA Weatherization Assistance for Low-income Persons program (ARRA WAP) (CFDA# 81.042) is a major program funded by the Department of Energy and passed through the Louisiana Housing Corporation (LHC).

Auditors' Comments:

Questioned
Costs

Condition: A portion of the grant award may be used for administrative costs, including compensation for personal services. Charges to the grant are allowed for personal services that are used directly or indirectly to benefit the award. In order to qualify as allowable costs, certain requirements exist for the allowability of salary and wage costs.

During the course of our audit testing and analytical work in the area of payroll, we discovered that LACAP developed and implemented a plan to pay bonuses to its employees for the years ending October 31, 2011 and 2012 totaling \$349,000 for both years. Under this bonus-plan employees in the ARRA-WAP program received "Bonuses" totaling \$124,500 from the ARRA-WAP program for the year ended October 31, 2012.

LACAP's total salary and wages charged to the ARRA-WAP program for the year ending October 31, 2012 was approximately \$700,000, this includes approximately \$167,000 in indirect salary and wages and \$124,500 in bonuses.

Our testing showed that the charges for regular direct salaries and wages and the charges for indirect salaries and wages allocated to the ARRA-WAP Program were proper and meet applicable requirements for allowable costs.

However, the bonus portion of the salaries and wages equal to \$124,500 in ARRA-WAP program appear not to meet the requirements for allowable costs contained in Cost Principles for Non-Profit Organizations (OMB A-122).

\$124,500

Criteria: While incentive pay is allowed under provisions of OMB Circular A-122 it is subject to certain general and specific requirements. Some of the general and specific requirements for allowability of cost contained in A-122 include:

1. "Be adequately documented"
2. "A cost must be allocable to a particular cost objective, such as a grant...in accordance with the relative benefits received."
3. "Incentive compensation to employees based on cost reduction, or efficient performances...are allowable to the extent that overall compensation is determined to be reasonable and such costs are paid or accrued pursuant to an agreement entered into in good faith between the organization and the employees before the services were rendered...."
4. "The distribution of salaries and wages to awards must be supported by personnel activity reports...." "The reports must reflect an after-the-fact determination of the actual activity of each employee."

The "Bonuses" were not properly allocated to programs based on time records, and the program was not specifically approved by the Executive Committee, Board of Directors, Louisiana Housing Corporation, nor the Department of Energy.

Effect: The grantor may request reimbursement for amounts charged to grants that do not meet their general or specific requirements.

Cause: The detail bonus or incentive compensation plan was not submitted for review and approval to those in authority prior to implementation.

Recommendation: All compensation plans should be submitted in detail to LACAP's Executive or Finance Committee for review, and approval prior to implementation. In addition, any compensation arrangements that require grantor or pass-through agency approval should be also submitted to the applicable entity for review and approval prior to implementation.

Management's Response:

Management has reaffirmed its policy that a detail compensation plan is to be submitted as part of each annual budget process for approval by both the Finance and Executive Committees. The approved compensation plan will then be submitted for review and approval by appropriate grantor or pass-through agency.

Questioned
Costs

During the fiscal year, any revision to the previously approved compensation plan will be submitted to both Committees, again, for review and approval. Any approved revisions by the Committees will be promptly submitted to appropriate grantor or pass-through agency for its review and approval.

Total Questioned Costs for AARA-WAP
for the year ended October 31, 2012

\$124,500

D. SUMMARY OF PRIOR YEAR FINDINGS

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

ITEM NO. 2011-FS-1 – TIMELINESS OF ACCOUNTING PROCEDURES AND INFORMATION

Summary of Auditors' Comments

Our auditors' recommended that the current internal control accounting procedures which call for monthly reconciliation and adjustments be followed on a timely basis

They also recommended that the due/to from accounts between programs should be cleared on a periodic basis.

Corrective Action:

The first recommendation related to monthly reconciliations and adjustments has been corrected in the current year. The recommendation for clearing the due/to from accounts on a periodic basis was not implemented in the current year. Our auditors' have repeated this recommendation this year.

Type of Finding: Probable Fraud and Illegal Act

ITEM NO. 2011-FS-2 – MISAPPROPRIATION OF FUNDS

Findings: At the end of the prior year and the beginning of this year, a former employee misappropriated funds from LACAP.

Corrective Action:

This situation was corrected at the beginning of the current year. However since a portion of the misappropriations took place at the beginning of the current year our auditor repeated this finding in the current year.

Type of Finding: Item of Non-Compliance

ITEM NO. 2011-FS-3 FAILURE TO FILE AUDIT REPORT ON TIME

Findings: LACAP's audit was not completed and furnished to the Louisiana Legislative Auditor nor LACAP's funding agency within the required time frame.

Corrective Action:

This was corrected in the current year.

ITEM NO. 2011-MP-1 INCENTIVE PAY

Type of Finding

Significant Deficiencies in Internal Control Over Major Programs
and
Known Questioned Costs Greater than \$10,000 for a Type of Compliance Required for
A Major Program

Program: ARRA Weatherization Assistance for Low-income Persons program (ARRA WAP) (CFDA# 81.042) is a major program funded by the Department of Energy and passed through the Louisiana Housing Finance Agency (LHFA) (now the Louisiana Housing Corporation [LHC]).

Findings:

At the end of the prior year and beginning of the current year, LACAP developed an incentive pay plan for its employees. Our auditors noted a portion of the salaries and wages equal to \$212,000 in ARRA-WAP program appear not to meet the requirements for allowable costs contained in Cost Principles for Non-Profit Organizations (OMB A-122). The amount of \$212,000 was reported as a questioned cost.

Corrective Action:

We discontinued the plan early in the current year. However since a portion of the plan and related payments continued in the beginning of the current year, our auditors' issued similar comments in the current year.

Type of Finding: Probable Fraud

ITEM NO. 2011-MP-2 MISAPPROPRIATION OF FUNDS

Programs: Weatherization Assistance for Low-income Persons program (WAP) (CFDA# 81.042) and ARRA Weatherization Assistance for Low-income Persons program (ARRA WAP) (CFDA# 81.042) are major programs funded by the Department of Energy and passed through the Louisiana Housing Corporation [LHC]).

Findings:

During the prior year it was discovered that a former employee had misappropriated funds of LACAP, some of which were from WAP and ARRA-WAP federal awards. However LACAP recovered all lost funds related to the federal awards. Therefore there are no questioned costs related to this matter.

Corrective Action:

This situation was resolved during the current year. However a portion of the misappropriations took place at the beginning of the current year, our auditor repeated this finding in the current year.



LACAP, Inc.
Louisiana Association of Community Action Partnerships, Inc.
11637 Industriplex Blvd., Baton Rouge, LA 70809
Phone 225.298.3323 Fax 225.298.3325

April 25, 2013

Mr. Bradley Swayze
Mr. Rene Landry
Louisiana Housing Finance Agency
2415 Quail Drive
Baton Rouge, LA 70808

Dear Mr. Landry:

We respectfully submit the following corrective action plan for the year ended October 31, 2012.

Responsible Person: Dorothy Oliver, President
Time of Completion: October 31, 2013

Findings: 2012 Financial Statement Audit

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

ITEM No. 2012-FS-1 Approval of Invoices

Corrective Action:

Currently invoices \$500 and less are approved by Office Manager and over \$500 are approved by Executive Director/COO before input into the payable system.

After they are input into the system a printout of the input and the invoices are reviewed by Finance Director- Finance Director reviews for coding and updates input for payment in the system.

ITEM No. 2012-FS-2 Timeliness of Accounting Procedures (Due to/From Programs)

Corrective Action:

Programs will be reimbursed as payments are received and posted monthly.

Type of Finding: Probable Fraud and Illegal Act

ITEM No. 2012-FS 3 Misappropriation of Funds (This finding was previously reported in audit findings for the year ended October 31, 2011)

Corrective Action:

Management promptly responded upon discovery of the misappropriation of funds to involve all appropriate persons and parties. In addition, management has reviewed all internal control accounting procedures to determine that all responsible and necessary safeguards are in place.

Dorothy Oliver
President

Irby Hornsby
Vice President

Dinah Landry
Secretary

Almetra J. Franklin
Treasurer

Thelma French
Parliamentarian

Providing Quality Human Services to Louisiana

Findings and Questioned Costs – Major Federal Award Program Audit

Type of Finding: **Item of Noncompliance and Material Weakness in Internal Control Over Major Program**

ITEM No. 2012-MP-1 Subrecipient Monitoring

Corrective Action:

LACAP's fiscal monitor will communicate with agencies and request a response or corrective action in writing to address finding and/or deficiencies.

LACAP will continue monitoring as in the past.

Type of Finding: **Material Weakness in Internal Control Over Major Program**

ITEM No. 2012-MP-2 Approval of Invoices

Corrective Action:

Currently invoices \$500 and less are approved by Office Manager and over \$500 are approved by Executive Director/COO before input into the payable system.

After they are input into the system a printout of the input and the invoices are reviewed by Finance Director- Finance Director reviews for coding and updates input for payment in the system.

Type of Finding: **Significant Deficiency in Internal Control Over Major Program and Questioned Cost – Major Program**

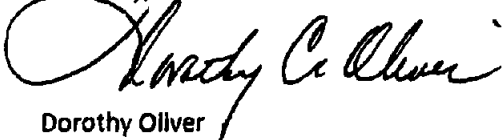
ITEM 2012-MP-3 Incentive Pay (A similar finding was reported in the audit finding for the year ended October 31, 2011 related to the same incident)

Corrective Action:

Management has reaffirmed its policy that a detail compensation plan is to be submitted as part of each annual budget process for approval by both the Finance and Executive Committees. The approved compensation plan will then be submitted for review and approval by appropriate grantor or pass-through agency.

During the fiscal year, any revision to the previously approved compensation plan will be submitted to both Committees, again, for review and approval. Any approved revisions by the Committees will be promptly submitted to appropriate grantor or pass-through agency for its review and approval.

Sincerely,



Dorothy Oliver
President

Cc: Almetra Franklin, Treasurer
Irby Hornsby, Vice President